



**Justification Report of the Board of Directors of
Elecnor, S.A. on the proposed amendment of Article 12
of the Company Bylaws**

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I. INTRODUCTION AND PURPOSE OF THE REPORT

- On 13 April 2021 the Spanish Official State Gazette (*Boletín Oficial del Estado*) published *Law 5/2021 of 12 April 2021 as regards the encouragement of long-term shareholder engagement in listed companies ("Law 5/2021")*, which transposed into Spanish law Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC, and which, among other matters has modified the rules on remuneration of directors of listed companies set out in the recast text of the Spanish Companies Act (Ley de Sociedades de Capital), approved by Legislative Royal Decree 1/2010 of 2 July 2010 ("**LSC**").
- In connection with the holding of the General Shareholders' Meetings of 23 June 2021, the Board of Directors of Elecnor, S.A. (the "**Company**") analysed that legal reform in order to determine which provisions needed to be or should advisably be expressly included in the Company Bylaws and which, conversely, did not require express inclusion in the Bylaws given that the legal provisions will be applied in all cases.

In turn, given that Transitional Provision One of Law 5/2021 stipulated that the changes made to article 529 novodecies of the LSC would enter into effect six months after the law's publication in the Spanish Official State Gazette, such that companies should submit for approval the remuneration policy adapted to those modifications at the first General Shareholders' Meeting held after that date, the Board of Directors of the Company thought it advisable to submit both the proposal for the new Director Remuneration Policy and the proposed amendment to article 12 of the Company Bylaws together and on a coordinated basis for their adaptation to the legal reform.

- Pursuant to the above, the Board of Directors of the Company has resolved to bring before the Ordinary Annual General Shareholders' Meeting the amendment of article 12 of the Company Bylaws in order to adapt them to the reform of the LSC enacted by Law 5/2021 on matters of director remuneration, and to include certain technical refinements and new wording.
- In this regard, article 286 of the LSC sets out amongst the requirements for amending corporate bylaws that the directors draw up the full text of the proposed bylaws amendments and prepare a written report explaining the rationale for the amendments.
- This report (the "**Report**"), drawn up and approved by the Board of Directors of the Company at the Board meeting of 30 March 2022, serves to comply with the legal requirement regarding the amendment of the current article 12 ("Board of Directors"), the approval of which is proposed to the shareholders under item Eight on the Agenda of the General Meeting called by the Company's Board of Directors to be held on 17 May 2022 at first call or 18 May 2022 at second call.

II. RATIONALE FOR THE PROPOSED AMENDMENT OF ARTICLE 12 (“BOARD OF DIRECTORS”)

- It is proposed that several aspects of the remuneration of directors be modified in accordance with the changes made to the LSC by Law 5/2021, and for certain technical details and refinements of wording to be included. Specifically, the following changes have been proposed:
 - Eliminate the power of the shareholders in General Meeting to determine and approve the maximum remuneration payable to directors, given that the reform of the law has transferred to the Remuneration Policy certain matters that were previously understood to require express approval by the General Meeting.
 - In relation to the rules on remuneration of directors who perform no executive duties, provided for in section (A) of this article 12:
 - Eliminate subparagraph (i), given that in practice the members of the Board of Directors the Company who do not perform executive functions receive a fixed cash allotment, not a profit share on the terms of article 218 of the LSC (and this has likewise been written into the proposal for the new remuneration policy that will be submitted for approval by the shareholders at the General Meeting).
 - Clarify in subparagraph (ii) that directors who perform no executive duties receive per diems for attendance for each meeting of the Board of Directors that are not considered compensation or reimbursement for expenses.
 - Add that *“the remuneration policy will set at least the maximum amount of annual remuneration payable to the Directors in aggregate for the performance of non-executive duties and the criteria for its distribution having regard to the duties and responsibilities attributed to each Director”*, given that the upper annual aggregate limit for directors who perform no executive duties has to be included in the Policy (article 529 septdecies.2 of the LSC, in the wording given by Law 5/2021).
 - Also add the obligation that the Appointments, Remunerations and Sustainability Committee give a prior report on the setting of the individual remuneration of each director for the performance of non-executive duties in accordance with article 529 septdecies.3 of the LSC, in the wording given by Law 5/2021.
 - In relation to the rules on remuneration of directors for the performance of executive duties, provided for in section (B) of this article 12:
 - Specify in subparagraph (i) that the fixed cash remuneration will be *“annual”*.

- Include in subparagraph (ii) that the variable remuneration will be calculated on the basis, inter alia, of financial and non-financial criteria, in accordance with articles 529 novodecies.2(d) and 217.2(d) of the LSC.
 - Complete the remuneration involving delivery of shares in subparagraph (iii) on the terms set out in article 219.1 of the LSC.
 - Include certain technical details in subparagraph (iv) with respect to corporate benefits and remuneration in kind.
 - Stipulate that *"the remuneration policy will set at least the minimum amount of the annual fixed remuneration payable to the Directors for the performance of their executive duties and other provisions set out in the Law"*, in accordance with article 529 octodecies.2 LSC, in the wording given by Law 5/2021.
 - Also in relation to remuneration of executive directors, complete the Board's authority to determine the remuneration of each individual Director for the performance of the executive duties assigned to the Director within the framework of the remuneration policy and in accordance with the terms of the Director's contract, upon a prior report from the Appointments, Remunerations and Sustainability Committee, in accordance with article 529 octodecies.3 LSC, in the wording given by Law 5/2021.
- Although not strictly necessary because it is not considered remuneration, for the sake of greater clarity it is proposed that this subparagraph should also include, first, that the directors will be covered by the civil liability insurance policy that the Company contracts from time to time and, second, a provision specifically referring to the payment or reimbursement, as applicable, of the expenses of the directors.
 - Lastly, it is proposed that the provision at the beginning of the article that *"The Board of Directors will be responsible for management of the company"* be eliminated for systematic reasons so that this article only contain provisions regarding the remuneration of the Company's directors.
- In accordance with the above, the proposed amendment of article 12 is set out below, highlighting the proposed changes:

"Article 12.-

~~Management~~ **Remuneration of the** company shall correspond to the **Board of Directors**.

~~The General Meeting of Shareholders shall determine and approve the maximum remuneration to be received as remuneration of the directors for all items and for any functions they perform, both for the performance of executive and non-executive functions. The maximum amount set by the General Meeting shall remain in force until the General Meeting of Shareholders approves the amendment thereof.~~

Director

A. Remuneration of Directors for the performance of non-executive duties.

All Directors will receive the following remuneration for the performance of non-executive duties:

For the performance of non-executive functions, all Directors shall receive as remuneration:

- ~~(i) The maximum amount of 7% of the profits obtained by the consolidated group during the year, after the provision for the payment of taxes and requirements established by law for this purpose have been met, as well as,~~
- (i) ~~A~~ An annual fixed cash allowance to be determined by the General Meeting of Shareholders, and amount.
- ~~(ii) Attendance allowances which, depending on the circumstances, are to be assigned as compensation for attendance expenses and others that they must assume in the exercise of their roles and functions.~~
- (ii) The Per diems for attending meetings del Board of Directors shall be responsible for determining.

The remuneration policy will set at least the maximum amount of annual remuneration amount, in accordance with payable to the above items, Directors in aggregate for the performance of non-executive duties and the criteria for its distribution having regard to the duties and responsibilities attributed to each Director.

Authority to fix the individual remuneration for each Director for the performance of non-executive functions, duties within the framework of these Bylaws and of the remuneration policy will rest with the Board of Directors, upon prior report from the Appointments, Remunerations and Sustainability Committee.

Director remuneration

A.B. Remuneration of the directors for the performance of executive functions duties.

In addition to the remuneration ~~they~~ that Directors receive for ~~the performance of performing~~ non-executive ~~functions~~ duties, ~~the Directors who perform with~~ executive ~~functions within~~ duties at the company ~~shall will~~ receive the remuneration established in their respective contracts for the following items:

- (i) ~~A~~ An annual fixed amount of remuneration in cash.
- (ii) ~~Variable remuneration, calculated according to benchmark indicators or parameters, whether qualitative or quantitative indicators or reference parameters, including financial and non-financial criteria, linked to the degree of compliance with achievement of their objectives (agreed by the Board of Directors at the proposal of the Appointments and Remunerations Commission) and Sustainability Committee).~~
- (iii) ~~Remuneration based on the delivery of shares or option rights options over shares of the Company itself or remuneration linked to the price of the company's shares.~~
- (iv) ~~The following social corporate benefits or remuneration in kind: (i) they shall be included in the civil liability policy for Directors and board members that the~~

~~Company has agreed upon at all times; (ii) they shall continue to will have the right to participate in social security systems/welfare schemes (for the coverage of their survival, illness, accidents, etc.) in under terms that are similar to those generally that may be established in general at all times any given time for Executives of the Company's Directors Company; and (iii) likewise, the Executive Chairmanman shall continue to (ii) they will also be beneficiaries of a life insurance plan and a health insurance plan and enjoy all those of such benefits that, if applicable, as the Company makes available to may offer the members of the executive management group team.~~

- (v) ~~In addition to any As well as the eventual compensation for due to contract termination of the contract, provided that the termination was, as long as dismissal is not caused by due to a breach of their the Director's duties as administrator.~~

~~These contracts must be previously approved by the Board of Directors at the proposal of the Appointments and Remunerations Commission, complying with the requirements established in applicable law, Remuneration and Sustainability Committee, and be compliant with the requirements of the applicable legislation. In addition, the remuneration policy will set at least the minimum amount of the annual fixed remuneration payable to the Directors for the performance of their executive duties and other provisions set out in the Law.~~

~~In any case, the aggregate sum of all the resulting amounts to be received by all Directors and for any items in each financial year shall never be greater than the maximum amount approved by the General Meeting of Shareholders. Authority to fix the individual remuneration for each Director for the performance of the executive duties assigned to the Director within the framework of the remuneration policy and in accordance with the terms of the Director's contract will rest with the Board of Directors, upon prior report from the Appointments, Remunerations and Sustainability Committee.~~

~~Without prejudice to what is provided in sections (A) and (B) above, the Directors will be included in the civil liability insurance policy that the Company may contract from time to time, and they will be paid or reimbursed, as the case may have it, for the reasonable and duly justified expenses they may incur as a result of travel, meeting attendance and other tasks directly related to the performance of their duties."~~

Madrid, 30 March 2022.

ANNEX

Proposed amendment of article 12 of the Company Bylaws

"Article 12.- Remuneration of the Board of Directors"

A. Remuneration of Directors for the performance of non-executive duties.

All Directors will receive the following remuneration for the performance of non-executive duties:

- (i) An annual fixed cash amount.*
- (ii) Per diems for attending meetings del Board of Directors.*

The remuneration policy will set at least the maximum amount of annual remuneration payable to the Directors in aggregate for the performance of non-executive duties and the criteria for its distribution having regard to the duties and responsibilities attributed to each Director.

Authority to fix the individual remuneration for each Director for the performance of non-executive duties within the framework of these Bylaws and of the remuneration policy will rest with the Board of Directors, upon prior report from the Appointments, Remunerations and Sustainability Committee.

B. Remuneration of the directors for the performance of executive duties.

In addition to the remuneration that Directors receive for performing non-executive duties, Directors with executive duties at the company will receive the remuneration established in their respective contracts for the following items:

- (i) An annual fixed amount of remuneration in cash.*
- (ii) Variable remuneration calculated according to benchmark indicators or parameters, whether qualitative or quantitative, including financial and non-financial criteria, linked to the degree of achievement of their objectives (agreed by the Board of Directors at the proposal of the Appointments, Remunerations and Sustainability Committee).*
- (iii) Remuneration based on the delivery of shares or options over shares or remuneration linked to the price of the company's shares.*
- (iv) The following corporate benefits or remuneration in kind: (i) they will have the right to participate in social welfare schemes (for the coverage of survival, illness, accidents, etc.) under terms that are similar to those that may be established in general at any given time for Executives of the Company; and (ii) they will also be beneficiaries of a life insurance plan and a health insurance plan and enjoy all of such benefits as the Company may offer the members of the executive management team.*
- (v) As well as the eventual compensation due to contract termination, as long as dismissal is not due to a breach of the Director's duties.*

These contracts must be previously approved by the Board of Directors at the proposal of the Appointments, Remuneration and Sustainability Committee, and be compliant with the requirements of the applicable legislation. In addition, the remuneration policy will set at least the minimum amount of the annual fixed remuneration payable to the Directors for the performance of their executive duties and other provisions set out in the Law.

Authority to fix the individual remuneration for each Director for the performance of the executive duties assigned to the Director within the framework of the remuneration policy and in accordance with the terms of the Director's contract will rest with the Board of Directors, upon prior report from the Appointments, Remunerations and Sustainability Committee.

Without prejudice to what is provided in sections (A) and (B) above, the Directors will be included in the civil liability insurance policy that the Company may contract from time to time, and they will be paid or reimbursed, as the case may have it, for the reasonable and duly justified expenses they may incur as a result of travel, meeting attendance and other tasks directly related to the performance of their duties."